

CITY OF ANITA
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2014

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City of Anita

Officials

<u>Name</u>	<u>Title</u> (Before January 2014)	<u>Term Expires</u>
Tim Miller	Mayor	January 2016
Jamey Herzberg	Council Member	January 2014
Duane Murphy	Council Member	January 2014
Dennis Zimmerman	Council Member	January 2014
Jeff Bohnsack	Council Member	January 2016
Tom Harris	Council Member	January 2016

<u>Name</u>	<u>Title</u> (After January 2014)	<u>Term Expires</u>
Tim Miller	Mayor	January 2016
Jeff Bohnsack	Council Member	January 2016
Tom Harris	Council Member	January 2016
Mark Harris	Council Member	January 2016
Wade Jessen	Council Member	January 2018
Dennis Zimmerman	Council Member	January 2018
Lindsay Jahde	City Clerk/Treasurer	Indefinite
James Mailander	Attorney	Indefinite

City of Anita



Diane McGrain, CPA
Jim Menard, CPA

January 16, 2015

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Anita, Iowa, as of and for the year ended June 30, 2014, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal

Continued....

control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Unmodified Opinion on the Discretely Presented Component Unit

In our opinion, based on our audit the financial statements referred to above present fairly the financial position of the discretely presented component unit of the City of Anita as of June 30, 2014, and the changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Modified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total cash basis fund balances at July 1, 2013.

Modified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total cash basis fund balances at July 1, 2013, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Anita as of June 30, 2014 and the respective changes in the cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Anita's basic financial statements. The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic

Continued...

January 16, 2015
City of Anita
Independent Auditors' Report

financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 8 through 12 and 27 through 28 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2015 on our consideration of the City of Anita's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Anita's internal control over financial reporting and compliance.

Schroer & Associates, PC

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Anita provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities are for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

The financial statements of the City's component unit, Anita Municipal Utilities, are issued under separate cover. Please refer to those financial statements for additional information.

2014 FINANCIAL HIGHLIGHTS

- The cash basis net position of the City's governmental activities decreased approximately \$18,000.
- The cash basis net position of the City's business type activities increased approximately \$55,000, due primarily to receipts exceeding disbursements in the Enterprise, Sewer Fund.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduce the basic financial statements and provide an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operation in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the city as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer system. This activity is financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax. The governmental fund financial statements provided a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide information for the Sewer Fund and the Sewer Capital Project Fund considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$187,000 to \$169,000. The analysis that follows focuses on the changes in cash basis net position for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		Year Ended June 30, 2014
Receipts:		
Program receipts:		
Charges for service	\$	1
Operating grants, contributions and restricted interest		302
General receipts:		
Property tax		372
Local option sales tax		97
Grants and contributions not restricted to specific purposes		2
Sale of general fixed assets		24
Total receipts		<u>798</u>
Disbursements:		
Public safety		199
Public works		239
Culture and recreation		124
Community and economic development		145
General government		79
Debt service		30
Total disbursements		<u>816</u>
Change in cash basis net position		(18)
Cash basis net position beginning of year		<u>187</u>
Cash basis net position end of year	\$	<u><u>169</u></u>

The cost of all governmental activities this year was approximately \$816,000. However, as shown on the Cash Basis Statement of Activities and Net Position on page 14, the amount taxpayers ultimately financed for these activities was approximately \$514,000 because some of the cost was paid by those directly benefited from the programs or by other governments and organizations which subsidized certain programs with grant, contributions and restricted interest.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		Year Ended June 30, 2014
Receipts:		
Program receipts:		
Charges for service		
Sewer	\$	160
Capital grants, contributions and restricted interest		499
General receipts		
Note proceeds		582
Total receipts		<u>1,241</u>
Disbursements:		
Sewer		<u>1,186</u>
Change in cash basis net position		55
Cash basis net position beginning of year		<u>329</u>
Cash basis net position end of year	\$	<u><u>384</u></u>

Total business type activities cash basis net position increased from a year ago, increasing from approximately \$329,000 to \$384,000. The increase is due primarily to receipts exceeding disbursements in the Enterprise, Sewer Fund.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Anita completed the year, its governmental funds reported a combined fund balance of \$169,119, a decrease of \$18,311 from last year's total of \$187,430. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$6,358 over the prior year to a year-end balance of \$56,994.
- The Special Revenue, Road Use Tax Fund cash balance increased \$19,222 to \$63,476 during the fiscal year. This was due to fewer disbursements than receipts.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$158 to \$119,869 during the fiscal year.
- The Special Revenue Fund decreased to (\$66,014). The deficit will be eliminated upon receipt of grant reimbursements.
- The Special Revenue, Volunteer Fireman's Association Fund cash balance increased \$14,591 to \$140,595 during the fiscal year. The increase is the result of donations and other receipts exceeding disbursements.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance increased \$42,044 to \$368,412, due primarily to collections exceeding disbursements.

- The Enterprise, Sewer Capital Project Fund cash balance increased \$12,506 to \$15,406 due to collection of note proceeds to fund project costs.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 14, 2014 and resulted in an increase in operating receipts, disbursements and other financing sources. Receipts were amended for various grants, loan proceeds and sale of police vehicle. Expenses were amended for vehicles expenses, street repair, legal fees, sewer upgrade project, electric equipment and a test well.

DEBT ADMINISTRATION

At June 30, 2014, the City had approximately \$866,299 in bonds and other long-term debt compared to approximately \$352,662 last year, as shown below.

	Outstanding Debt at Year-End	
	2014	June 30 2013
General obligation bonds and notes	\$ 130,295	155,132
Revenue notes	736,000	-
Project anticipation notes	-	180,690
Other debt	-	16,840
Total	\$ 866,299	352,662

Debt increased as a result of issuing sewer project notes.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and urban renewal debt of \$130,295 is significantly below its constitutional debt limit of \$1,891,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Anita's elected and appointed official and citizens considered many factors when setting the fiscal year 2015 budget, tax rates, and fees that will be charged for various City activities. Items considered included street projects, equipment purchases, community betterment and economic development, wages, legal services, employee benefits, insurance, and final stages of CDBG housing projects.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lindsay Jahde, City Clerk, PO Box 246, Anita, Iowa 50020-0246.

Basic Financial Statements

City of Anita
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2014

		Program Receipts			Net (Disbursement) Receipts and Changes in Cash Basis Net Assets			Component
		Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest		Governmental Activities	Business Type Activities	Total	Unit Anita Municipal Utilities
Disbursements		Charges for Service	Interest	Interest				
Functions/Programs:								
Primary Government:								
Governmental activities:								
Public safety	\$ 198,658	90	108,672	-	(89,896)	-	(89,896)	
Public works	239,483	-	98,682	-	(140,801)	-	(140,801)	
Culture and recreation	124,037	-	24,842	-	(99,195)	-	(99,195)	
Community and economic development	144,778	-	61,765	-	(83,013)	-	(83,013)	
General government	78,891	420	7,800	-	(70,671)	-	(70,671)	
Debt service	30,328	-	-	-	(30,328)	-	(30,328)	
Total governmental activities	816,175	510	301,761	-	(513,904)	-	(513,904)	
Business type activities:								
Sewer	1,186,974	160,224	-	499,150	-	(527,600)	(527,600)	
Total Primary Government	\$ 2,003,149	160,734	301,761	499,150	(513,904)	(527,600)	(1,041,504)	
Component Unit:								
Anita Municipal Utilities	\$ 1,484,979	1,268,376	-	-				(216,603)
General Receipts:								
Property tax levied for general purposes					372,442	-	372,442	-
Local option sales tax					97,158	-	97,158	-
Grants and contributions not restricted to specific purpose					2,383	-	2,383	-
Unrestricted interest on investments					111	-	111	7,285
Sale of general fixed assets					23,499	-	23,499	-
Note proceeds					-	582,150	582,150	90,238
Total general receipts					495,593	582,150	1,077,743	97,523
Change in cash basis net position					(18,311)	54,550	36,239	(119,080)
Cash basis net position beginning of year					187,430	329,268	516,698	1,171,417
Cash basis net position end of year					\$ 169,119	383,818	552,937	1,052,337
Cash Basis Net Position								
Restricted:								
Expendable:								
Streets					\$ 63,476	-	63,476	-
Community development and betterment					119,869	-	119,869	-
Fire protection					140,595	-	140,595	-
Capital projects					-	15,406	15,406	-
Other purposes					18,735	-	18,735	-
Unrestricted					(173,556)	368,412	194,856	1,052,337
Total cash basis net position					\$ 169,119	383,818	552,937	1,052,337

See notes to financial statements

City of Anita
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2014

	General	Special Revenue				Other Nonmajor Governmental Funds	Total
		Road Use Tax	Local Option Sales Tax	Housing	Volunteer Fireman's Association		
Receipts	\$						
Property tax	222,025	-	-	-	-	104,074	326,099
Other city tax	45,665	-	97,158	-	-	678	143,501
Licenses and permits	510	-	-	-	-	1	511
Use of money and property	2,121	-	-	-	-	-	2,121
Intergovernmental	37,312	97,058	-	61,765	-	1,762	197,897
Miscellaneous	7,425	-	-	-	84,643	12,168	104,236
Total receipts	315,058	97,058	97,158	61,765	84,643	118,683	774,365
Disbursements							
Operating:							
Public safety	121,688	-	-	-	70,052	6,918	198,658
Public works	136,513	77,836	-	-	-	25,134	239,483
Culture and recreation	99,454	-	-	-	-	24,583	124,037
Community and economic developmen	8,999	-	-	135,779	-	-	144,778
General government	67,261	-	-	-	-	11,630	78,891
Debt service	-	-	-	-	-	30,328	30,328
Total disbursements	433,915	77,836	-	135,779	70,052	98,593	816,175
Excess (deficiency) of receipts over (under) disbursements	(118,857)	19,222	97,158	(74,014)	14,591	20,090	(41,810)
Other financing sources (uses):							
Sale of general fixed assets	23,499	-	-	-	-	-	23,499
Operating transfers in	97,000	-	-	8,000	-	-	105,000
Operating transfers out	(8,000)	-	(97,000)	-	-	-	(105,000)
	112,499	-	(97,000)	8,000	-	-	23,499
Net change in cash balances	(6,358)	19,222	158	(66,014)	14,591	20,090	(18,311)
Cash balances beginning of year	63,352	44,254	119,711	-	126,004	(165,891)	187,430
Cash balances end of year	\$ 56,994	63,476	119,869	(66,014)	140,595	(145,801)	169,119
Cash Basis Fund Balances							
Restricted for:							
Streets	-	63,476	-	-	-	-	63,476
Community development and betterment	-	-	119,869	-	-	-	119,869
Fire protection	-	-	-	-	140,595	-	140,595
Other purposes	-	-	-	-	-	18,735	18,735
Unassigned	56,994	-	-	(66,014)	-	(164,536)	(173,556)
Total cash basis fund balances	\$ 56,994	63,476	119,869	(66,014)	140,595	(145,801)	169,119

See notes to financial statements

City of Anita
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Fund
As of and for the year ended June 30, 2014

	Enterprise Funds		
	Sewer	Sewer Capital Project	Total
Operating receipts:			
Charges for service	\$ 160,224	-	160,224
Operating disbursements:			
Business type activities	<u>75,592</u>	<u>-</u>	<u>75,592</u>
Excess of operating receipts over operating disbursements	84,632	-	84,632
Non-operating receipts (disbursements):			
Grant receipts	-	499,150	499,150
Note proceeds	-	582,150	582,150
Debt service	(42,588)	-	(42,588)
Capital projects	<u>-</u>	<u>(1,068,794)</u>	<u>(1,068,794)</u>
Total non-operating receipts (disbursements)	<u>(42,588)</u>	<u>12,506</u>	<u>(30,082)</u>
Net change in cash balances	42,044	12,506	54,550
Cash balances beginning of year	<u>326,368</u>	<u>2,900</u>	<u>329,268</u>
Cash balances end of year	<u>\$ 368,412</u>	<u>15,406</u>	<u>383,818</u>
Cash Basis Fund Balances			
Restricted for capital projects	\$ -	15,406	15,406
Unrestricted	<u>368,412</u>	<u>-</u>	<u>368,412</u>
Total cash basis fund balances	<u>\$ 368,412</u>	<u>15,406</u>	<u>383,818</u>

See notes to financial statements

City of Anita
Notes to Financial Statements
June 30, 2014

NOTE (1) Summary of Significant Accounting Policies

The City of Anita is a political subdivision of the State of Iowa located in Cass County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Anita has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Anita (the primary government) and its component units. The component units discussed below are included in the city's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Unit

The Anita Municipal Utilities Board, established under Chapter 388 of the Code of Iowa, is legally separate from the city, but has the potential to provide specific benefits to or impose specific burdens on the city. The Municipal Utilities is governed by a three-member board appointed by the Mayor and approved by the City council and its budget is subject to approval of the City Council. In accordance with criteria set by the Governmental Accounting Standards Board, the Municipal Utilities meets the definition of a component unit which should be discretely presented. Complete financial statements can be obtained from the Anita Municipal Utilities, 828 Main Street, PO Box 426, Anita, Iowa 50020.

Blended Component Unit

The Anita Volunteer Fireman's Association is legally separate from the City, but is so intertwined with the City, it is, in substance, part of the City. The Anita Volunteer Fireman's Association was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The Association collects donations which are to be used to purchase items not included in the City's budget and to make donation to the City to help finance fire equipment. The financial transactions have been reported as a Special Revenue Fund of the City.

City of Anita
Notes to Financial Statements
June 30, 2014

NOTE (1) Summary of Significant Accounting Policies - Continued

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Cass County Assessor's Conference Board, Cass County Emergency Management Commission, Cass County Landfill Commission, and the Cass County Joint E911 Joint Service Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

City of Anita
Notes to Financial Statements
June 30, 2014

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies, and other receipts not allocated by law or contractual agreement to some other fund, are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local sales and services tax receipts received to be used 20% for community development and 80% for community betterment.

The Housing Fund is used to account for grant monies to be used for the rehabilitation of single family housing units.

The Volunteer Fireman's Association Fund is used to account for receipts and disbursements of the Anita Volunteer Fireman's Association.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through proprietary funds.

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Sewer Capital Project Fund accounts for the acquisition and construction of sewer capital facilities.

C. Measurement Focus and Basis of Accounting

The City of Anita maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

City of Anita
Notes to Financial Statements
June 30, 2014

NOTE (1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting - Continued

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursed grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the culture and recreation function.

City of Anita
Notes to Financial Statements
June 30, 2014

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board No. 3, as amended by Statement No. 40.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE (3) Notes Payable

Annual debt service requirements to maturity for general obligation notes and revenue notes are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 25,318	\$ 4,718	\$ 32,000	\$ 12,880	\$ 57,318	\$ 17,598
2016	25,991	3,733	33,000	12,320	58,991	16,053
2017	26,699	2,712	34,000	11,743	60,699	14,455
2018	27,287	1,655	34,000	11,148	61,287	12,803
2019	12,500	625	35,000	10,553	47,500	11,178
2020-2024	12,500	313	185,000	43,330	197,500	43,643
2025-2029	-	-	205,000	26,513	205,000	26,513
2030-2033	-	-	178,000	7,873	178,000	7,873
	<u>\$ 130,295</u>	<u>\$ 13,756</u>	<u>\$ 736,000</u>	<u>\$ 136,360</u>	<u>\$ 866,295</u>	<u>\$ 150,116</u>

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$1,891,000 which was not exceeded during the year ended June 30, 2014.

City of Anita
Notes to Financial Statements
June 30, 2014

NOTE (3) Notes Payable - Continued

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,065,000 of sewer revenue notes issued in August 2013. Proceeds from the notes provided financing for the construction of improvements to sewer treatment facilities. The notes are payable solely from sewer customer net receipts and are payable through 2033. Annual principal and interest payments on the notes are expected to require less than 90% of net receipts. During the current year, the City drew down \$768,164 and made principal and interest payments totaling \$42,588. Total principal and interest remaining to be paid on the notes is \$872,360.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Establish rates sufficient to meet operation and maintenance of the sewer system and produce net receipts at a level of 110% of the principal and interest falling due in the same year.

NOTE (4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered payroll. Certain employees in special risk occupations, and the City, contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2014 was \$13,062, equal to the required contribution for the year.

NOTE (5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2014, primarily relating to the General Fund was \$4,419. This liability has been computed based on rates of pay in effect at June 30, 2014.

City of Anita
Notes to Financial Statements
June 30, 2014

NOTE (6) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2014 were \$25,360.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

City of Anita
Notes to Financial Statements
June 30, 2014

NOTE (6) Risk Management- Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The City assumes liability for any deductibles and claims in excess of coverage limitations. The City assumes responsibility for workers compensation claims in excess of \$1,000,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE (7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 97,000
Special Revenue: Housing	General	8,000
		<u>\$ 105,000</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE (8) Deficit Balances

At June 30, 2014, the City had the following deficit balances:

Special Revenue Funds:	
Housing	\$ 66,014
Urban Renewal Tax Increment	164,399
Debt Service	<u>137</u>
	<u>\$ 230,550</u>

The City plans on eliminating the deficit in the Debt Service Fund upon receipt of property taxes. The deficit in the Housing Fund will be eliminated upon receipt of grant reimbursements. As soon as the City certifies the TIF debt and starts receiving funds, the deficit in the Urban Renewal Tax Increment Fund will be eliminated.

City of Anita
Notes to Financial Statements
June 30, 2014

NOTE (9) Construction Commitment

At June 30, 2014, the City has a retainage due of \$5,457 on a sewer improvement project.

NOTE (10) Commitment

Law Enforcement Contract

The City has contracted with Cass County, Iowa to provide law enforcement services for \$60,000 for fiscal year 2015 and through fiscal year 2017 for \$60,000 plus 3% per annum.

NOTE (11) Subsequent Event

In October 2014, the City awarded a contract for \$94,050 to repair a sanitary sewer line.

NOTE (12) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*. This stmt will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

Other Information

City of Anita
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Component Unit Actual	Less Funds not Required to be Budgeted	Total	Budgeted Amounts		Final to Total Variance
						Original	Final	
Receipts								
Property tax	\$ 326,099	-	-	-	326,099	328,028	328,028	(1,929)
Other city tax	143,501	-	-	-	143,501	103,761	103,761	39,740
Licenses and permits	511	-	-	-	511	600	600	(89)
Use of money and property	2,121	-	17,819	-	19,940	2,540	2,540	17,400
Intergovernmental	197,897	499,150	-	-	697,047	386,700	888,350	(191,303)
Charges for service	-	160,224	1,257,842	147,125	1,270,941	1,331,500	1,536,500	(265,559)
Miscellaneous	104,236	-	-	84,643	19,593	52,100	52,100	(32,507)
Total receipts	774,365	659,374	1,275,661	231,768	2,477,632	2,205,229	2,911,879	(434,247)
Disbursements								
Public safety	198,658	-	-	70,052	128,606	120,907	131,195	2,589
Public works	239,483	-	-	-	239,483	239,625	254,625	15,142
Culture and recreation	124,037	-	-	-	124,037	110,683	115,683	(8,354)
Community and economic development	144,778	-	-	-	144,778	280,600	280,600	135,822
General government	78,891	-	-	-	78,891	87,970	88,970	10,079
Debt service	30,328	-	-	-	30,328	30,730	30,730	402
Capital projects	-	1,068,794	-	-	1,068,794	-	1,068,794	-
Business type activities	-	118,180	1,484,979	147,050	1,456,109	1,329,850	1,534,850	78,741
Total disbursements	816,175	1,186,974	1,484,979	217,102	3,271,026	2,200,365	3,505,447	234,421
Excess (deficiency) of receipts over (under) disbursements	(41,810)	(527,600)	(209,318)	14,666	(793,394)	4,864	(593,568)	(199,826)
Other financing sources, net:	23,499	582,150	90,238	-	695,887	-	593,144	102,743
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(18,311)	54,550	(119,080)	14,666	(97,507)	4,864	(424)	(97,083)
Balances beginning of year	187,430	329,268	1,171,417	138,084	1,550,031	1,970,785	1,970,785	(420,754)
Balances end of year	\$ 169,119	383,818	1,052,337	152,750	1,452,524	1,975,649	1,970,361	(517,837)

See accompanying independent auditors' report

City of Anita
Notes to Other Information – Budgetary Reporting
June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,305,082. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the culture and recreation function.

Supplementary Information

City of Anita
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2014

	Special Revenue				
	Employee	Urban	Library	Debt	
	Benefits	Renewal	Trust	Service	Total
		Tax Increment			
Receipts:					
Property tax	\$ 73,787	-	-	30,287	104,074
Other city tax	480	-	-	198	678
Use of money and property	-	-	1	-	1
Intergovernmental	-	-	1,762	-	1,762
Miscellaneous	-	-	12,168	-	12,168
Total receipts	<u>74,267</u>	<u>-</u>	<u>13,931</u>	<u>30,485</u>	<u>118,683</u>
Disbursements:					
Operating:					
Public safety	6,918	-	-	-	6,918
Public works	25,134	-	-	-	25,134
Culture and recreation	10,652	-	13,931	-	24,583
General government	11,630	-	-	-	11,630
Debt service	-	-	-	30,328	30,328
Total disbursements	<u>54,334</u>	<u>-</u>	<u>13,931</u>	<u>30,328</u>	<u>98,593</u>
Net change in cash balances	19,933	-	-	157	20,090
Cash balances beginning of year	<u>(4,889)</u>	<u>(164,399)</u>	<u>3,691</u>	<u>(294)</u>	<u>(165,891)</u>
Cash balances end of year	<u>\$ 15,044</u>	<u>(164,399)</u>	<u>3,691</u>	<u>(137)</u>	<u>(145,801)</u>
Cash Basis Fund Balances					
Restricted for other purposes	\$ 15,044	-	3,691	-	18,735
Unassigned	<u>-</u>	<u>(164,399)</u>	<u>-</u>	<u>(137)</u>	<u>(164,536)</u>
Total cash basis fund balances	<u>15,044</u>	<u>(164,399)</u>	<u>3,691</u>	<u>(137)</u>	<u>(145,801)</u>

See accompanying independent auditors' report

City of Anita
Schedule of Indebtedness
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation									
Street improvement	Jul 3, 2007	5.25%	\$ 120,000	\$ 67,632	-	12,337	55,295	3,400	-
Vehicle	Jun 1, 2011	2.50-3.80%	\$ 112,500	87,500	-	12,500	75,000	2,090	-
				\$ 155,132	-	24,837	130,295	5,490	-
Revenue notes:									
Sewer	Aug 9, 2013	1.75%	\$ 1,065,000	\$ -	768,164	32,164	736,000	10,424	-
Anticipatory Project Note:									
Sewer	Sept 29, 2010	0.00%	\$ 425,000	\$ 180,690	-	180,690	-	-	-
Other Debt									
Vehicle	July 3, 2012	2.25%	\$ 25,000	\$ 16,840	-	16,840	-	370	-

See accompanying independent auditors' report

City of Anita
Note Maturities
June 30, 2014

Year Ending June 30,	General Obligation Notes						Revenue Notes	
	Street Improvement		Vehicle				Sewer	
	Issued Jul 3, 2007		Issued Jun 1, 2011				Issued Aug 9, 2013	
	Interest		Interest			Interest		
	Rates	Amount	Rates	Amount	Total	Rates	Amount	
2015	5.25%	\$ 12,818	2.50%	\$ 12,500	\$ 25,318	1.75%	\$ 32,000	
2016	5.25%	13,491	2.50%	12,500	25,991	1.75%	33,000	
2017	5.25%	14,199	2.50%	12,500	26,699	1.75%	34,000	
2019	5.29%	14,787	2.50%	12,500	27,287	1.75%	34,000	
2019	-	-	2.50%	12,500	12,500	1.75%	35,000	
2020	-	-	2.50%	12,500	12,500	1.75%	36,000	
2021	-	-	-	-	-	1.75%	36,000	
2022	-	-	-	-	-	1.75%	37,000	
2023	-	-	-	-	-	1.75%	38,000	
2024	-	-	-	-	-	1.75%	38,000	
2025	-	-	-	-	-	1.75%	39,000	
2026	-	-	-	-	-	1.75%	40,000	
2027	-	-	-	-	-	1.75%	41,000	
2028	-	-	-	-	-	1.75%	42,000	
2029	-	-	-	-	-	1.75%	43,000	
2030	-	-	-	-	-	1.75%	43,000	
2031	-	-	-	-	-	1.75%	44,000	
2032	-	-	-	-	-	1.75%	45,000	
2033	-	-	-	-	-	1.75%	46,000	
		\$ 55,295		\$ 75,000	\$ 130,295		\$ 736,000	

See accompanying independent auditors' report

City of Anita
Schedule of Expenditures of Federal Awards
June 30, 2014

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Betterment Grant:			
Housing Rehabilitation	14.228	12-HSG-016	\$ 157,361
Iowa Department of Economic Development:			
Community Development Block Grants/ Water/Sewer Program	14.228	11-WS-003	<u>494,050</u>
Total			<u>\$ 651,411</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Anita, Iowa. The City of Anita's financial statements are presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

City of Anita



Diane McGrain, CPA
Jim Menard, CPA

January 16, 2015

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Anita, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 16, 2015. Our report expressed modified opinions on the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. As we were unable to satisfy ourselves as to the distribution by fund of the cash basis fund balances at July 1, 2013, our report expressed an unmodified opinion on the financial statements of the discretely presented component unit which was also prepared on the basis of cash receipts and disbursements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Anita's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Anita's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Anita's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

Continued...

City of Anita
Independent Auditors' Report on
Internal Control and Compliance and Other Matters

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Anita's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-B-14 and II-C-14 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Anita's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Anita's Responses to Findings

City of Anita's responses to findings identified in our audit are described in the accompanying Schedule of Findings. City of Anita's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Anita during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

**Independent Auditors' Report on Compliance
for Its Major Program and on Internal Control over Compliance
Required by OMB Circular A-133**



Diane McGrain, CPA
Jim Menard, CPA

January 16, 2015

Independent Auditors' Report on Compliance
for Its Major Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Report on Compliance for Its Major Federal Program

We have audited City of Anita's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on the City of Anita's major federal program for the year ended June 30, 2014. City of Anita's major federal program is identified in Part I of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for City of Anita's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Anita's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of City of Anita's compliance.

Continued...

City of Anita
Independent Auditors' Report on Compliance
for Its Major Federal Program

Opinion on Its Major Federal Program

In our opinion, City of Anita complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of City of Anita is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Anita's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Anita's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirements of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Schroer & Associates, PC

City of Anita
Schedule of Findings
June 30, 2014

Part I: Summary of the Independent Auditors' Results:

- a) Modified opinions were issued on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information, which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles, as we were unable to satisfy ourselves as to the distribution by fund of the cash fund balances at July 1, 2013. An unmodified opinion was issued on the financial statements of the discretely presented component unit.
- b) Material weaknesses and significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) No material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- f) The audit did not disclose an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) The major program was CFDA Number 14.228 – Community Development Block Grant Program.
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) City of Anita did not qualify as a low-risk auditee.

City of Anita
Schedule of Findings
June 30, 2014

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Segregation of Duties

Comment - One important element in designing internal control to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another. One person has control over each of the following areas:

City:

1. Accounting system – performing all general accounting functions, having custody of assets and being involved in purchasing.
2. Cash – initiating cash receipt and disbursement functions, handling and recording cash and bank reconciliations.
3. Receipts - opening mail, collecting, depositing, journalizing and posting.
4. Disbursements – check preparation, purchasing, reconciling, access to credit cards, controlling blank purchase orders, check signing and recording.
5. Long Term Debt – recording, reconciling and performing cash functions.
6. Payroll – preparing and distributing. In addition, the Clerk does not complete a daily time card and timesheets are not approved by department heads.

Library:

1. Cash – initiating cash receipt and disbursement functions, handling and recording cash and bank reconciliations.
2. Disbursements – check preparation, purchasing, reconciling, access to credit cards, controlling blank purchase orders, check signing and recording.

Anita Volunteer Fireman's Association:

1. Receipts – receiving, recording and custody.
2. Disbursements – purchasing, preparing checks and recording.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, Library and the Anita Volunteer Fireman's Association should review their control procedures to obtain the maximum internal control possible under the circumstances.

Responses –

City – We will review our procedures to maximize internal control based on limited staff and funds.

Library – We will consider your recommendation. However, we have a limited number of people (employees) which makes segregation of duties difficult. We will review our control procedures to gain as much internal control as possible.

City of Anita
Schedule of Findings
June 30, 2014

Part II: Findings Related to the Financial Statements - Continued:

INTERNAL CONTROL DEFICIENCIES - Continued:

II-A-14 Segregation of Duties - Continued

Responses – Continued

Anita Volunteer Fireman's Association – We will evaluate our procedures and have a third party review our checks/balances.

Conclusion – Responses accepted.

II-B-14 Library Trust Transactions

Comment – The library board maintains the accounting records pertaining to the library trust account. These transactions were not recorded in the Clerk's records as required by Code of Iowa Chapter 384.20

Recommendation – Chapter 384.20 of the Code of Iowa states in part that, "a city shall keep accounts which show an accurate and detailed statement of all public monies collected, received, or expended for any city purposes." An accounting system for each board which will provide the necessary and required financial information should be implemented to comply with this code requirement. For better accountability, financial and budgetary control, the financial activity and balances of all city accounts should be reviewed at the transaction level and recorded in the Clerk's records.

Response – The library board does submit financial reports to the city. We will record the library trust activity in the Clerk's records.

Conclusion – Response accepted.

II-C-14 Disbursements

Comment – Two claims out of forty-two tested were not approved by the Council.

Recommendation – The two disbursements missed were after the Council meeting date. The City needs to review procedures to insure all claims are approved by the Council.

Response – We will adjust our claims report date to include all transactions between meeting dates. The Mayor signs all invoices paid.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Anita
Schedule of Findings
June 30, 2014

Part III: Findings for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses or significant deficiencies were noted.

City of Anita
Schedule of Findings
June 30, 2014

Part IV: Other Findings Related to Statutory Reporting:

IV-A-14 Certified Budget

Comment - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the culture and recreation and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

IV-B-14 Questionable Disbursements

We noted no disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-14 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-14 Business Transactions

No business transactions were noted between the City and City officials or employees.

IV-E-14 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-14 Council Minutes

Comment – We found two disbursement transactions out of forty-two transactions tested that were not approved in the Council minutes. Although minutes of City Council proceedings were published, they were not published within the fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should publish minutes as required. The City should review procedures to determine all claims are approved by the Council.

Response – We will publish minutes as required. We will adjust our claims report date to include all transactions between meeting dates.

Conclusion – Response accepted.

City of Anita
Schedule of Findings
June 30, 2014

Part IV: Other Findings Related to Statutory Reporting:

IV-G-14 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12c of the Code of Iowa and the City's investment policy.

IV-H-14 Revenue Notes

The City is in compliance with the provisions of the revenue debt resolutions.

IV-I-14 Financial Condition

Comment – At June 30, 2014, the City has the following deficit balances:

Special Revenue Funds:	
Housing	\$ 66,014
Urban Renewal Tax Increment	164,399
Debt Service	<u>137</u>
	\$ <u>230,550</u>

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – The City plans on eliminating the deficits in the Debt Service Fund upon receipt of property taxes. The deficit in the Housing Fund will be eliminated upon receipt of grant reimbursements. As soon as the City certifies the TIF debt and starts receiving funds the deficit in the Urban Renewal Tax Increment Fund will be eliminated.

Conclusion – Response accepted.

IV-J-14 Excess Balances

Comment – The balance in the Special Revenue, Local Option Sales Tax Account and the Enterprise, Sewer Account at June 30, 2014 were in excess of the disbursements made from each of the accounts during the year.

Recommendation – The City should consider the necessity of maintaining the excess balances, and where financially feasible, consider reducing the balance in an orderly manner through revenue reductions.

Response – We are maintaining the fund balance for future projects.

Conclusion – Response accepted.

IV-K-14 Annual Urban Renewal Report – The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.